

**NORTH CENTRAL KANSAS
SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636**

Glade, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended June 30, 2008

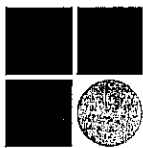
NORTH CENTRAL KANSAS SPEDICAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Financial Statements with Independent Auditors' Report
For the Year Ended June 30, 2008

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
North Central Kansas Special Education Cooperative
Interlocal No. 636
Glade, Kansas 67639

We have audited the accompanying financial statements of **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas**, as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas**, prepares its financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas**, as of June 30, 2008, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas**, as of June 30, 2008, their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2008, on our consideration of **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas'** financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office and management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas**. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

The accompanying additional information on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements that collectively comprise **North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas'** financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN AND BALL, CHTD.
Certified Public Accountants

October 20, 2008

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2008

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
Special Revenue Funds							
Coop Special Education Fund	\$ 2,045,348	-	6,783,932	6,647,526	2,181,754	440,077	2,621,831
Parents as Teachers Fund	-	-	71,247	71,247	-	6,217	6,217
Gifts and Grants Fund	-	-	3,800	3,800	-	191	191
Professional Development Fund	-	-	16,000	16,000	-	-	-
Total Reporting Entity (Excluding Agency Funds)	\$ 2,045,348	-	6,874,979	6,738,573	2,181,754	446,485	2,628,239
Composition of Cash:							
Checking Accounts							\$ 20,146
Certificates of Deposit							2,607,593
Cash on Hand							2,627,739
Total Cash							1,500
Less Agency Funds per Statement 4							2,629,239
							(1,000)
Total Reporting Entity (Excluding Agency Funds)							\$ 2,628,239

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas

Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2008

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Favorable (Unfavorable)
Governmental Type Funds					
Special Revenue Funds					
Coop Special Education Fund	\$ 7,589,830	-	7,589,830	6,647,526	942,304
Parents as Teachers Fund	71,248	-	71,248	71,247	1
Gifts and Grants Fund	3,800	-	3,800	3,800	-
Professional Development Fund	16,000	-	16,000	16,000	-

The notes to the financial statements are an integral part of this statement.

**NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636**

Glade, Kansas

Coop Special Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2008

(With Comparative Actual Totals for the Prior Year Ended June 30, 2007)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Payments from Districts	\$ 4,726,678	5,555,544	4,996,380	(559,164)
Interest on Idle Funds	89,582	106,095	100,000	(6,095)
Other Revenue from Local Sources	41,672	19,964	110,000	90,036
State Aid				
Special Education Aid	32,709	38,417	217,150	178,733
Medicaid	413,621	136,374	488,892	352,518
Federal Aid				
Other Federal Grants	934,856	927,538	927,538	-
Total Cash Receipts	<u>6,239,118</u>	<u>6,783,932</u>	<u>6,839,960</u>	<u>56,028</u>
Expenditures				
Instruction	4,201,780	4,390,472	5,133,447	742,975
Student Support Services	1,669,136	1,802,220	1,933,223	131,003
Instruction Support Staff	-	-	5,000	5,000
Administration	370,646	354,697	358,660	3,963
Operations and Maintenance	22,409	24,936	37,000	12,064
Vehicle Operation Services	7,127	8,289	12,500	4,211
Other Supplemental Services	59,354	52,937	110,000	57,063
Transfers Out	11,235	13,975	-	(13,975)
Total Expenditures	<u>6,341,687</u>	<u>6,647,526</u>	<u>7,589,830</u>	<u>942,304</u>
Receipts Over (Under) Expenditures	(102,569)	136,406		
Unencumbered Cash, July 1	<u>2,147,917</u>	<u>2,045,348</u>		
Unencumbered Cash, June 30	\$ <u>2,045,348</u>	<u>2,181,754</u>		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636

Glade, Kansas

Parents As Teachers Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2008

(With Comparative Actual Totals for the Prior Year Ended June 30, 2007)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Payments from Districts	\$ 27,493	28,507	28,508	(1)
State Aid				
Parent Education Program	41,676	42,740	42,740	-
Total Cash Receipts	69,169	71,247	71,248	(1)
Expenditures				
Student Support Services	55,741	55,535	57,815	2,280
Instruction Support Staff	12,294	14,866	12,544	(2,322)
Other Supplemental Services	1,134	846	889	43
Total Expenditures	69,169	71,247	71,248	1
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, July 1	-	-		
Unencumbered Cash, June 30	\$ -	-		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636

Glade, Kansas

Gifts and Grants Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2008

(With Comparative Actual Totals for the Prior Year Ended June 30, 2007)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Dane G Hansen Foundation	\$ 3,800	3,800	3,800	-
Expenditures				
Instruction	3,800	3,800	3,800	-
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, July 1	-	-		
Unencumbered Cash, June 30	\$ -	-		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636

Glade, Kansas

Professional Development Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2008

(With Comparative Actual Totals for the Prior Year Ended June 30, 2007)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other Revenue from Local Sources	\$ -	-	14,400	(14,400)
State Aid				
Professional Development Aid	1,765	2,025	1,600	425
Transfers In	11,235	13,975	-	13,975
Total Cash Receipts	<u>13,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Expenditures				
Instruction Support Staff	<u>13,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, July 1	<u>-</u>	<u>-</u>		
Unencumbered Cash, June 30	\$ <u>-</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Agency Funds

Summary of Cash Receipts and Cash Disbursements
For the Year Ended June 30, 2008

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Insurance Escrow Fund	\$ <u>16,948</u>	<u>113,165</u>	<u>129,113</u>	<u>1,000</u>

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Notes to Financial Statements
June 30, 2008

1. Summary of Significant Accounting Policies

North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas (the Cooperative), has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

A. Financial Reporting Entity

North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas, is a municipal corporation governed by an elected board. The Board is composed of one member from the Board of Education of each school district that is a member of the Cooperative. The Cooperative receives funding from local, state and federal government sources and must comply with the requirements of these funding sources.

The financial statements of North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas, consist of all the funds of the Cooperative and governmental entities that are considered to be controlled or dependent upon the Cooperative. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Cooperative has no such entities under its control.

B. Basis of Presentation – Fund Accounting

The accounts of the Cooperative are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Cooperative for the year ended June 30, 2008:

Governmental Type Funds

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expend for specific purposes.

Fiduciary Fund

Agency Funds - to account for the fiduciary assets held by the Interlocal in a custodial capacity as an agent on behalf of others.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Notes to Financial Statements
June 30, 2008

C. Statutory Basis of Accounting (cont.)

adjusted for prior year's accounts payables and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Cooperative to use the statutory basis of accounting.

D. Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Cooperative are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

E. Accounting for Capital Assets and Depreciation

The Cooperative does not maintain a record of capital assets used in performance of general government operations as required by generally accepted accounting principles.

F. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for Special Revenue Funds (unless specifically exempted by statute). The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such amendments this year.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Notes to Financial Statements
June 30, 2008

F. Budgetary Information (cont.)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Cooperative for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budget expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

H. Deposits and Investments

The Cooperative follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the Summary of Cash Receipts, Expenditures, and Unencumbered Cash.

At June 30, 2008, the Cooperative had no investments.

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Notes to Financial Statements
June 30, 2008

H. Deposits and Investments (cont.)

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Cooperative did not use peak depository coverage. All deposits were legally secured at June 30, 2008.

At June 30, 2008, the Cooperative's carrying amount of deposits was \$2,629,239 and the bank balance was \$2,716,558. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$301,500 was covered by federal depository insurance and \$2,415,058 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase as required by state statutes.

J. Compensated Absences

The Cooperative has formal sick leave and annual leave policies for employees, which vary based on the employee's position.

The director and assistant director each receive 70 days for non-cumulative sick leave each year and 20 days for annual leave. The clerk and treasurer receive 10 sick days that may accumulate to 60 days. They also receive 15 day of annual leave.

Certified and licensed employees, other than the director and assistant director, receive 10 days of sick leave per year that may accumulate to 75 days. At the completion of each school year, each employee will be paid \$30 per day for each day in excess of 75. Certified and licensed employees will also receive three non-cumulative personal days.

Paraeducators and other non-certified staff, who work a minimum of 30 hours a week during the school year, will receive eight days of sick leave per year that may accumulate to 45 days. These employees will also be granted one personal day a year. If employed full time and has more than 10 years consecutive experience, the employee will receive one additional day of personal leave.

All employees of the Cooperative shall be granted four days of non-cumulative bereavement leave each year. Upon termination of employment, employees are not paid for accumulated sick leave of less than 75 days. The annual leave and personal leave for all employees are non-cumulative, therefore, the cost of accumulated leave payable at June 30, 2008 was \$0.

K. Defined Benefit Pension Plan

Plan Description. – North Central Kansas Special Education Cooperative, Interlocal No. 636, Glade, Kansas, participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
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Notes to Financial Statements
June 30, 2008

K. Defined Benefit Pension Plan (cont.)

Funding Policy. - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 7.37% of covered payroll for the fiscal year ended June 30, 2008. These contributions requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all public school employees for the years ending June 30, 2008, 2007, and 2006, were \$220,815,154, \$192,425,626, and \$159,728,918, respectively, equal to the required contributions for each year.

L. Deferred Compensation Plan – Retirement Benefit

For a two year window that ended June 30, 2006, the Cooperative offered an early retirement package to certified staff members with at least ten consecutive years of service with the Cooperative and who have met the KPERS retirement criteria. The early retirees are eligible to receive a percentage of their ending salary for five years. A deferred compensation plan under Internal Revenue Code 403(b) is available for these employees. The amount of the benefit deferred to American Fidelity for the year ended June 30, 2008 was \$10,205.

M. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Cooperative is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Cooperative makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the Cooperative for this coverage. The Premium is paid in full by the insured. There is no cost to the government under this program.

2. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The Cooperative's operating transfers and statutory authority for June 30, 2008 were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
Coop Special Education Fund	Professional Development Fund	K.S.A. 72-968	\$13,975

3. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas
Notes to Financial Statements
June 30, 2008

4. Risk Management Claims & Judgments

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Cooperative has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the Cooperative joined together with other Districts and Cooperatives in the State to participate in the Kansas Association of School Boards Risk Management Services, a public entity risk pool currently operating as a common risk management and insurance program.

The Cooperative pays an annual premium to the Kansas Association of School Boards Risk Management Services for its workers compensation insurance coverage. The agreement to participate provides that the Kansas Association of School Boards Risk Management Services will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the Kansas Association of School Boards Risk Management Services' Management.

The Cooperative continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, auto, linebaker, fidelity bond, and comprehensive collision insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2008, the financial statements do not include liabilities for anticipated costs.

5. Litigation

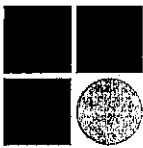
The Cooperative is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the Cooperative.

6. Grants and Shared Revenues

The Cooperative participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Cooperative has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Cooperative, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

7. Comparative Data

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the Cooperative's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make certain statements unduly complex and difficult to read.



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Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
North Central Kansas Special Education Cooperative
Interlocal No. 636
Glade, Kansas 67639

We have audited the financial statements of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, as of and for the year ended June 30, 2008, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated October 20, 2008. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **North Central Kansas Special Education Cooperative, Interlocal No. 636's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness, as described below.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects **North Central Kansas Special Education Cooperative, Interlocal No. 636's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cooperative's financial statements that is more than inconsequential will not be prevented or detected by the Cooperative's internal control. We consider the deficiency described in the accompany schedule of findings and questioned costs as B-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by **North Central Kansas Special Education Cooperative, Interlocal No. 636's** internal control.

Internal Control Over Financial Reporting (cont.)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency noted as item B-1 to also be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **North Central Kansas Special Education Cooperative, Interlocal No. 636's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

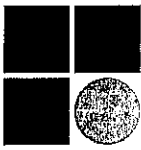
We noted certain immaterial instances of noncompliance that we have reported to management of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, in a separate letter dated October 20, 2008.

This report is intended solely for the information and use of the Board of Directors, Management, others within the Cooperative, Federal Awarding Agencies and Pass-Through Entities, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 20, 2008



Certified
Public
Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
North Central Kansas Special Education Cooperative
Interlocal No. 636
Glade, Kansas 67639

Compliance

We have audited the compliance of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Cooperative's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Cooperative's management. Our responsibility is to express an opinion on the Cooperative's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **North Central Kansas Special Education Cooperative, Interlocal No. 636's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Cooperative's compliance with those requirements.

In our opinion, **North Central Kansas Special Education Cooperative, Interlocal No. 636** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Cooperative's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

Internal Control Over Compliance (cont.)

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, Management, others within the Cooperative, Federal Awarding Agencies and Pass-Through Entities, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 20, 2008

**NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636**

Glade, Kansas

Supplementary Information

For the Year Ended June 30, 2008

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE

INTERLOCAL NO. 636

Glade, Kansas

Schedule of Findings and Questioned Costs

June 30, 2008

A. Summary of Auditors' Results -

1. The auditors' report expresses an unqualified opinion on the financial statements of **North Central Kansas Special Education Cooperative, Interlocal No. 636**.
2. One significant deficiency was disclosed during the audit of the financial statements is reported in the Report on Internal Control Over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*. This is also reported as a material weakness. (See Item B-1 below).
3. No instances of noncompliance material to the financial statements of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **North Central Kansas Special Education Cooperative, Interlocal No. 636**, expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:
 - 84.027 US Department of Education – EHC Flo-Thru
 - 84.173 US Department of Education – Early Childhood Aid
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **North Central Kansas Special Education Cooperative, Interlocal No. 636**, does not qualify as a low risk auditee.

B. Findings - Financial Statement Audit -**Item B-1:****Condition:**

Proper segregation of duties does not exist in the accounting system.

Criteria:

Internal controls should be in place to insure that employees do not have incompatible duties.

Effect:

Management may not become aware of problems or irregularities within a timely manner.

Recommendation:

None – The size of the Cooperative precludes management from hiring additional personnel. The Cooperative has controls in place to mitigate the effects.

C. Findings and Questioned Costs - Major Federal Award Programs Audit -

No material findings and questioned costs are required to be disclosed under OMB Circular A-133.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2008

Federal Award Findings and Questioned Costs

1. Internal Control Findings:

07-1 Special Education Aid CFDA No. 84.027 passed through Kansas Department of Education for the year ended June 30, 2007.

Condition: The limited staff size does not provide for adequate separation of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Response: We concur with the recommendation. However, the size of the entity does not make it practical to have sufficient number of employees to achieve the optimum level of internal control.

07-2 Special Education Aid CFDA No. 84.027 passed through Kansas Department of Education for the year ended June 30, 2007.

Condition: Management does not have the qualifications and training necessary to prepare the financial statements which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statements including footnote disclosures which would prevent or detect an omission/misstatement in the financial statements.

Effect: The control deficiency allows for omission/misstatements in the financial statements including footnotes that may not be prevented, detected, or corrected.

Recommendations: Management would need to attend training classes and annual continuing education classes to education on proper and complete preparation of the financial statements and footnote disclosures and to be aware of all the current accounting standards by purchasing and maintaining annual accounting subscriptions.

Response: We concur with the recommendation. However, the cost of annual subscription services and the continuous education/training classes do not make it practical to obtain the competency and expertise required to correct the deficiency.

2. Compliance Findings:

None Found.

3. Questioned Costs:

None Found.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas

Schedule of Expenditures of Federal Awards - Statutory Basis
For the Year Ended June 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Education</u>			
Passed Through Kansas State Board of Education:			
EHC Flo-Thru	84.027	N/A	\$ 872,519
Early Childhood Aid	84.173	N/A	<u>55,019</u>
Total Expenditures of Federal Awards			\$ <u>927,538</u>

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636
Glade, Kansas

Notes to Schedule of Expenditures of Federal Awards – Statutory Basis
For the Year Ended June 30, 2008

Note 1 - Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of **North Central Kansas Special Education Cooperative, Interlocal No. 636**, and is presented on the basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
INTERLOCAL NO. 636

Glade, Kansas

Coop Special Education Fund

Detailed Statement of Cash Receipts and Expenditures - Actual
For the Year Ended June 30, 2008

	Special Education Fund	Title VI-B Fund	Targeted Improvement Grant Fund	Preschool Grant Fund	Medicaid Fund	TOTAL
Cash Receipts						
Local Sources						
Payments from Districts	\$ 5,555,544	-	-	-	-	5,555,544
Interest on Idle Funds	106,095	-	-	-	-	106,095
Other Revenue from Local Sources	19,964	-	-	-	-	19,964
State Aid						
Special Education Aid	38,417	-	-	-	-	38,417
Medicaid	-	-	-	-	136,374	136,374
Federal Aid						
Other Federal Grants	-	835,475	37,044	55,019	-	927,538
Total Cash Receipts	5,720,020	835,475	37,044	55,019	136,374	6,783,932
Expenditures						
Instruction	3,256,334	740,255	14,990	51,374	327,519	4,390,472
Student Support Services	1,548,694	85,653	6,500	-	161,373	1,802,220
Instructional Support Staff	-	-	-	-	-	-
Administration	340,451	-	14,246	-	-	354,697
Operations and Maintenance	24,936	-	-	-	-	24,936
Vehicle Operating Services	8,289	-	-	-	-	8,289
Other Supplemental Services	38,417	9,567	1,308	3,645	-	52,937
Transfers Out	13,975	-	-	-	-	13,975
Total Expenditures	5,231,096	835,475	37,044	55,019	488,892	6,647,526
Receipts Over (Under) Expenditures	488,924	-	-	-	(352,518)	136,406
Unencumbered Cash, July 1	1,142,834	-	-	-	902,514	2,045,348
Unencumbered Cash, June 30	\$ 1,631,758	-	-	-	549,996	2,181,754

See Accountants' Report.